

Message Text

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FM AMEMBASSY THE HAGUE

TO SECSTATE WASHDC IMMEDIATE 3953

INFO AMEMBASSY ANKARA

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AMEMBASSY ROME

USMISSION NATO

USMISSION USUN NEW YORK

AMCONSUL CURACAO

AMCONSUL PARAMARIBO

S E C R E T SECTION 1 OF 4 THE HAGUE 3457

E.O. 11652: GDS

TAGS: OGEN, NL

SUBJ: ANNUAL POLICY ASSESSMENT, NETHERLANDS: SECTION III,
EVALUATION OF PAST PERFORMANCE UNDER REVISED 1974 EUROPARA

REF: STATE 085689

1. SUMMARY. FOLLOWING IS PART III, EVALUATION OF PAST PERFORMANCE
UNDER REVISED 1974 EUROPARA. THIS ASSESSMENT ALSO PROVIDES OVERVIEW
OF DEN UYL GOVERNMENT'S FIRST YEAR IN OFFICE. CURRENT COALITION
HAS COMPORTED ITSELF IN A MANNER CONGRUENT WITH MAJOR US INTERESTS,

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PARTICULARLY IN ARE OF US-EC RELATIONS. THE STATE OF OUR RELATIONS

WITH THE NETHERLANDS IS VERY GOOD; THERE HAS BEEN A WELCOME IMPROVEMENT IN THE TONE AND ATMOSPHERE AS COMPARED TO A YEAR AGO. WE HAVE REGISTERED GAINS OVER PAST 12 MONTHS TOWARD OUR MAIN COMMERCIAL GOALS, I.E., EXPORT DEVELOPMENT, REVERSE INVESTMENT AND TOURISM, DUE LARGELY TO FAVORABLE EXCHANGE RATES, HIGHER PRICES FOR OUR FOODSTUFF EXPORTS, AND MORE FOCUSED AND ZEALOUS USG PROMOTIONAL CAMPAIGNS. CLIMATE FOR AMERICAN INVESTMENT HERE, HOWEVER, HAS CONTINUED TO DETERIORATE IN FACE OF HIGHER OPERATING COSTS, WEAKER MARKETS, AND TIGHTER DUTCH ENFORCEMENT OF ENVIRONMENTAL RESTRICTIONS AND STATUTORY REQUIREMENTS OF INDUSTRIAL DEMOCRACY.

2. IN LIGHT OF MAJOR DEVELOPMENTS AND CHANGED CONDITIONS OVER THE PAST YEAR AND A HALF WE ARE PROPOSING TWO ADDITIONAL US INTERESTS IN THE NETHERLANDS, THE MODIFICATION OF SEVERAL US INTERESTS AS DESCRIBED IN PARA II OF THE CURRENT (FEBRUARY 23, 1973) EDITION OF THE EUROPARA, AND A REARRANGING OF PRIORITIES. THESE PROPOSED CHANGES ARE DISCUSSED IN DETAIL IN SECTION I AND II OF THE ANNUAL US POLICY ASSESSMENT, WHICH, IN AIRGRAM FORM, WILL BE POUCHED DURING THE WEEK BEGINNING JULY 15. PART II OF REVISED TABLE OF CONTENTS OF EUROPARA, AS PROPOSED BY EMBASSY, WILL THUS LOOK AS FOLLOWS:

US INTERESTS IN THE NETHERLANDS AND PROPOSED COURSES OF ACTION:

1. CONTINUED DUTCH SUPPORT FOR ATLANTIC ALLIANCE
2. ENCOURAGEMENT OF IMPORTS OF US GOODS AND SERVICES
3. MILITARY SALES
4. CONTINUED DUTCH SUPPORT FOR WESTERN EUROPEAN UNITY WITHIN CONTEXT OF ATLANTIC ALLIANCE
5. SURINAM AND THE ANTILLES
6. ENCOURAGEMENT OF DUTCH INVESTMENT IN AND TOURIST TRAVEL TO THE UNITED STATES
7. DEVELOPMENT OF MORE POSITIVE PUBLIC OPINION TOWARD THE US AND AMERICAN POLICIES
8. COORDINATION OF US-NETHERLANDS APPROACH TO THIRD COUNTRIES AND IN INTERNATIONAL ORGANIZATIONS
9. ENCOURAGEMENT OF CULTURAL, SCIENTIFIC AND TECHNOLOGICAL EXCHANGE
10. MAINTENANCE OF ACCOMMODATING CLIMATE FOR US INVESTMENT
11. NARCOTICS CONTROL
12. PROTECTION OF US CITIZENS AND US-OWNED PROPERTY

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3. ASSESSING IMPACT ON INTERESTS SPECIFIED IN REVISED SECTION II OF PARA, WE IDENTIFY (A) WORRISOME POTENTIAL FOR SLIPPAGE IN RE-ORDERED INTEREST 1 (CONTINUED DUTCH SUPPORT FOR ATLANTIC ALLIANCE), (B) MINOR DISAGREEMENTS WHICH COMPLICATE REALIZATION OF RE-ORDERED INTEREST 8 (CONTINUATION OF US-NETHERLANDS APPROACH TO THIRD COUNTRIES AND IN INTERNATIONAL ORGANIZATIONS), AND (C) SOME SLIGHT PROBLEM WITH RE-ORDERED INTEREST 10 (MAINTENANCE

OF ACCOMMODATING CLIMATE FOR US INVESTMENT) DUE TO RISING COST
OF DOING BUSINESS AND CONTINUING ENVIRONMENTAL CONCERNS. THERE HAS
BEEN PROGRESS IN ADVANCING ALL OTHER US OBJECTIVES PSECIFIED IN
THE REVISED EUROPARA, OBJECTIVES WE STILL CONSIDER VALID AS MOD-
IFIED AND AMPLIFIED PER PARA 2 ABOVE. THIS PROGRESS IS ATTRIB-
UTABLE PRIMARILY TO DUTCH PERCEPTION THAT THEIR OWN VITAL
INTERESTS AND THOSE OF USG ARE FOR MOST PART FUNDAMENTALLY
SIMILAR. END SUMMARY.

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4. OVERVIEW OF FIRST YEAR OF DEN UYL GOVERNMENT. ADVENT OF PRE-
SENT GOVERNMENT, LED BY FIRST SOCIALIST PRIME MINISTER SINCE
1958 AND WITH RESPONSIBLE OLDER SOCIALISTS IN CRITICAL FOR-

EIGN AFFAIRS AND DEFENSE MINISTRIES, HAS BEEN GENERALLY AUSPICIOUS FOR US INTERESTS. COALITION'S FIRST YEAR IN POWER COINCIDED WITH THE YOM KIPPUR WAR, GLOBAL ENERGY CRISIS, ARAB OIL BOYCOTT OF NETHERLANDS, AND TURBULENCE IN US-EUROPEAN RELATIONS. THESE TRAUMATIC FACTORS FORCED DUTCH MAKE HARD-NOSED ASSESSMENT OF WHERE THEIR GENUINE INTERESTS LIE. RESULT OF ASSESSMENT WAS THAT DUTCH ESCHEWED CHOICE BETWEEN EUROPE AND THE UNITED STATES, AND INSTEAD GAVE STRONG SUPPORT FOR SOLIDARITY WITH THE ATLANTIC SECRET

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ALLIANCE AND THE UNITED STATES, WHILE MAINTAINING THEIR COMMITMENT TO EUROPEAN UNITY AND FULL COOPERATION WITH THE EC.

5. OIL CRISIS* UNITED STATES WILLINGNESS TO ASSIST THE DUTCH WITH OIL, HAD IT BECOME NECESSARY, AND OUR REPRESENTATIONS AIMED AT ENDING THE ARAB OIL BOYCOTT AGAINST THE NETHERLANDS, HAD A SALUTARY EFFECT ON EVEN THOSE DUTCH OFFICIALS (LIKE THE PRIME MINISTER) WHO WERE DISENCHANTED WITH THE US BECAUSE OF OUR VIETNAM INVOLVEMENT. THEY CONTRASTED OUR WILLINGNESS AND ABILITY TO ASSIST WITH THE LACK OF RESPONSE FROM THEIR EC ASSOCIATES. THE DUTCH ARE PREEMINENTLY A PRGAMATIC PEOPLE. THEIR JUDGMENT OF OTHERS IS BASED ON A SINGLE-MINDED, REALISTIC PERCEPTION AND PURSUIT OF THE NETHERLANDS' SELF-INTEREST. DURING THE ENERGY CRISIS IT WAS THE UNITED STATES ALONE WHICH COULD DELIVER AND NOT THE NETHERLANDS' EC ASSOCIATES. THE DEN UYL GOVERNMENT CLEARLY RECOGNIZED THIS AND, AS ITS PARTICIPATION IN THE WASHINGTON ENERGY CONFERENCE DEMONSTRATED, ACTED ACCORDINGLY.

6. FOLLOWING ARE OUR COMMENTS ON PERFORMANCE IN ADVANCING KEY US INTERESTS. INTEREST 1 - CONTINUED DUTCH SUPPORT FOR ATLANTIC ALLIANCE. DESPITE ITS STRONG ATLANTIC COMMITMENT, THE DEN UYL GOVERNMENT INITIALLY OPTED FOR SUBSTANTIAL ECONOMIES IN THE GON DEFENSE EFFORT. IT HAS BEEN UNDER STRON PRESSURE FROM THE ANTI-NATO WING OF THE LABOR PARTY AND FROM THE RADICALS. HOWEVER, THE REST OF CABINET, INCLUDING THE PRIME MINISTER, CONVINCED ITSELF THAT DEFENSE RATIONALIZATION, REORGANIZATION, AND SPECIALIZATION WOULD PERMIT THE GON TO CONTINUE ITS CONTRIBUTION TO NATO WHILE ALLOWING DECREASES IN DEFENSE EXPENDITURES WHICH COULD THEN BE RE-ALLOCATED TO OTHER SECTORS. DEFENSE BECAME A CRITICAL QUESTION FOR THE COALITION WHICH FOR THE FIRST TIME IN ITS EXISTENCE WAS DIVIDED ON A BASIC ISSUE. THE CENTRIST MINISTERS, FOREIGN MINISTER AND DEFENSE MINISTER OPPOSED ANY DEFENSE PLAN WHICH DID NOT HAVE NATO APPROVAL. FOR A TIME IT APPEARED THAT THERE WAS A POSSIBILITY THE COALITION MIGHT COLLAPSE, BUT THE COALITION PARTIES' ANTIPATHY FOR NEW ELECTIONS PRODUCED A COMPROMISE. IF THE GOVERNMENT WERE FORCED OUT OF OFFICE ON THE DEFENSE ISSUE, WHICH PARLIAMENT WILL DEBATE IN THE FALL, THE ADHERENTS OF DUTCH WITHDRAWAL FROM NATO WOULD BECOME MORE INFLUENTIAL IF NOT PREDOMINANT WITHIN THE LABOR PARTY, THE COUNTRY'S LARGEST. THIS COULD HAVE A SEVERELY ADVERSE IMPACT ON BASIC US INTERESTS.

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7. INTEREST 2 - ENCOURAGEMENT OF IMPORTS OF US GOODS AND SERVICES. SPECTACULAR 1973 RISE OF 56 PERCENT IN US EXPORTS TO NETHERLANDS WAS GRATIFYING, BUT IT MUST BE RECOGNIZED THAT INCREASE WAS DUE MORE TO INFLATED COMMODITY PRICES, ESPECIALLY FOR SOYBEANS AND CORN, THAN TO GROWTH IN VOLUME OF SALES. THERE WERE, HOWEVER, HEARTENING INCREASES IN SALES OF EDP, PRINTING, AND MATERIALS HANDLING EQUIPMENT, AS WELL AS IN ELECTRONIC COMPONENTS, ALL OF WHICH WERE CAMPAIGN TARGETS IN OUR FY 1974 COUNTRY COMMERCIAL PROGRAM. FOR THIS CALENDAR YEAR WE WOULD HOPE AT LEAST TO MATCH 1973 DOLLAR LEVE, DESPITE LOWER COMMODITY PRICES. AMONG ELEMENTS IN OUR FAVOR ARE GON EFFORTS TO STIMULATE BOTH INVESTMENT AND CONSUMER DEMAND PLUS CONTINUED UNDERVALUATION OF DOLLAR IN GUILDER TERMS. TO ASSURE OPTIMUM SUCCESS WE SEE NEED FOR CLOSER INTEGRATION OF DEPARMTNET OF COMMERCE AND FILED EXPORT CAMPAIGN TARGETING.

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AMEMBASSY ROME
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8. INTEREST 4 - CONTINUED DUTCH SUPPORT FOR WESTERN EUROPEAN UNITY WITHIN CONTEXT OF ATLANTIC ALLIANCE. 1974 WAS PROBABLY MOST DIFFICULT YEAR FOR EUROPEAN INTEGRATION SINCE ROME TREATY WAS SIGNED, AND WAS PARTICULARLY DISCOURAGING FOR DUTCH. THEY WERE ONCE AGAIN REBUFFED IN THEIR CONTINUING CAMPAIGN TO STRENGTHEN EC INSTITUTIONS; THEY RECEIVED VIRTUALLY NO SUPPORT FROM THEIR EC PARTNERS IN GETTING ARAB OIL BOYCOTT LIFTED; THEY WERE DISILLUSTIONED BY BRITISH DEMAND FOR RENEGOTIATION OF EC ASSOCIATION AND REFUSAL TO SUPPORT GOAL OF EUROPEAN UNION BY 1980; AND THEY WERE REPEATEDLY FRUSTRATED BY FRENCH INTRANSIGENCE ON FOREGOING AND OTHER ISSUES OF FUNDAMENTAL IMPORTANCE TO DUTCH CONCERN

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OF "UNITED EUROPE9" THESE DISAPPOINTMENTS DOUBTLESS CONTRIBUTED TO DUTCH INTEREST IN REINVIGORATION OF ATLANTIC RELATIONSHIP,

WHICH THEY NOW REGARD MORE THAN EVER AS INDISPENSABLE ANCHOR TO WINDWARD. DESIRE FOR RENEWED IMPETUS TOWARD EUROPEAN UNITY REMAINS HIGH ON DUTCH PRIORITY LIST, HOWEVER, WE ANTICIPATE THAT DUTCH WILL TAKE FURTHER INITIATIVES IN THAT AREA NEXT FALL NOW THAT ATLANTIC RELATIONSHIP HAS BEEN BUTTRESSED AND FRANCE HAS A NEW GOVERNMENT.

9. INTEREST 5 - SURINAM AND THE ANTILLES. WITH SURINAM'S INDEPENDENCE DUE TO BE ACHIEVED BY THE END OF 1975, THE US MUST MAKE EVERY EFFORT TO ENSURE THAT THAT COUNTRY'S FOREIGN AND DEFENSE POLICIES ARE CONDUCTED WITHIN THE FRAMEWORK OF THE WESTERN HEMISPHERE "FAMILY," AND THAT SUBSTANTIAL US ECONOMIC INTERESTS THERE (BAUXITE) ARE PRESERVED. ALTHOUGH THE NETHERLANDS ANTILLES DO NOT WISH TO CONTEMPLATE INDEPENDENCE FOR SEVERAL YEARS WE SHOULD, WORKING THROUGH THE GON AS WELL AS DIRECTLY, SAFEGUARD AND PROMOTE IMPORTANT AMERICAN ECONOMIC INTERESTS ON THE ISLANDS, NOTABLY IN OIL REFINERIES, HOTELS AND FISHERIES.

10. INTEREST 6 - ENC
URAGEMENT OF DUTCH INVESTMENT IN AND TOURIST TRAVEL TO THE US. THANKS TO CHEAP DOLLAR AND OTHER FACTORS, OUR REVERSE INVESTMENT AND "VISIT USA" PROGRAMS HAVE ENJOYED CONSID-

ERABLE SUCCESS AND OUR SEVERAL PROMOTIONAL EVENTS HAVE BEEN WELL ATTENDED. AT LEAST THREE FIRMS WITH WHOM WE HAVE BEEN IN CONTACT HAVE ANNOUNCED PLANS FOR DIRECT INVESTMENT IN US, PORTFOLIO INVESTMENT HAS BEEN STRONG DESPITE (OR PERHAPS BECAUSE OF) WEAK US STOCK MARKETS, AND TRAVEL ROSE BY 18 PERCENT IN 1973. WE WILL GIVE CONTINUED EMPHASIS TO ALL OF THESE PROGRAMS IN 1974.

11. INTEREST 7 - DEVELOPMENT OF MORE POSITIVE PUBLIC OPINION TOWARD THE US AND AMERICAN POLICIES. PUBLIC OPINION AS EXPRESSED THROUGH THE MEDIA IS LESS CRITICAL OF THE UNITED STATES THAN A YEAR AGO AND HAS, IN FACT, BEEN FAVORABLY INFLUENCED BY THE WARMING TREND IN OUR OFFICIAL RELATIONS WITH THE DUTCH. IN ADDITION, THERE IS A SIGNIFICANT BODY OF DUTCHMEN OF MATURE YEARS WHO REMAIN GRATEFUL FOR THE PRIMARY US ROLE IN LIBERATING WESTERN EUROPE DURING WORLD WAR II AND IN REBUILDING THE NETHERLANDS
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THROUGH THE MARSHALL PLAN THEREAFTER. THIS SEGMENT OF PUBLIC OPINION, THOUGH LESS VOCIFEROUS THAN MANY OF OUR CRITICS, HAS MAINTAINED STEADY SUPPORT FOR US FOREIGN POLICY, INCLUDING EITHER APPROVAL OR ACCEPTANCE OF OUR POLICY IN VIET-NAM. ON BALANCE, HOWEVER, IT IS HARD TO DETECT SIGNS OF LARGE-SCALE ENTHUSIASTIC SUPPORT FOR, OR UNRESERVED CONFIDENCE IN, THE UNITED STATES. MOREOVER, A SIGNIFICANT SEGMENT OF DUTCH YOUTH SHARES THE USUAL "HANG-UPS" OF THEIR WEST EUROPEAN CONTEMPORARIES AGAINST THE UNITED STATES. WE ARE CRITICIZED, SUSPECT AND DISLIKED BY THEM BECAUSE OF OUR SIZE AND POWER WHICH WE ARE THOUGHT TO BE USING SELFISHLY OR IMMORALLY, AND FOR OUR ALLEGED CONNIVING WITH THE SOVIETS TO DECIDE THE FUTURE OF EUROPE AND OTHER PARTS OF THE WORLD.

12. ON THE OTHER HAND THERE CONTINUES TO BE A LARGE BODY OF DUTCH OPINION WHICH RECOGNIZES THAT THE UNITED STATES, WHATEVER ITS IMPUTED FAULTS AND PAST MISTAKES, IS A GOOD AND VALUABLE FRIEND OF THE NETHERLANDS AND THE ONLY COUNTRY CAPABLE OF GUARANTEEING THE NETHERLANDS' SECURITY. THE SIGNIFICANT DEVELOPMENTS AND TRENDS NOTED ABOVE HAVE IN THE EMBASSY'S VIEW GIVEN US NEW OPPORTUNITIES TO INCREASE DUTCH UNDERSTANDING OF, AND INTEREST IN, THE UNITED STATES. WE HAVE EMBARKED ON AN ACTIVE PROGRAM TO ENHANCE THE US IMAGE AND INFLUENCE DUTCH OPINION IN WAYS FAVORABLE TO US OBJECTIVES IN EUROPE AND OTHER KEY AREAS.

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13. INTEREST 8 - COORDINATION OF US-NETHERLANDS APPROACH TO THIRD COUNTRIES AND IN INTERNATIONAL ORGANIZATIONS. IN ADDITION TO DEFENSE, THE GOVERNMENT IS UNDER STRONG LEFT-WING PRESSURE ON THE ENTIRE QUESTION OF THIRD WORLD RELATIONSHIPS. THIS HAS BECOME SOMETHING OF A PROBLEM IN TERMS OF GON VOTES IN INTERNATIONAL FORA. THE CURRENT GOVERNMENT IS STRONGLY COMMITTED TO THIRD WORLD ASSISTANCE AND HAS MADE FUNDS AVAILABLE FOR HUMANITARIAN PURPOSES TO LIBERATION MOVEMENTS IN SOUTHERN AFRICA. IT HAS ABSTAINED ON ISSUES SUCH AS PRG MEMBERSHIP IN THE UNGA AND PARTICIPATION IN OTHER INTERNATIONAL CONFERENCES. WHILE THIS DOES NOT NECESSARILY IMPACT ON VITAL US INTERESTS, IT HAS AN IRRITATING EFFECT ON US-

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DUTCH RELATIONS. THERE IS LITTLE LIKELIHOOD, HOWEVER, THAT THE

GOVERNMENT WILL MODIFY THIS POLICY WHICH IT VIEWS (PROBABLY CORRECTLY) AS A MEASURE WHICH SATISFIES THE EXTREME DUTCH LEFT-WING AT RELATIVELY LITTLE COST. DESPITE DOMESTIC PRESSURE FOR SUCH A POSTURE, WE WILL CONTINUE TO POINT OUT TO GON THAT THIS COURSE OF ACTION LEADS TO FURTHER REDUCTION OF EFFECTIVENESS OF INTERNATIONAL ORGANIZATIONS. MOREOVER, IT COMPLICATES USG DOMESTIC PROBLEM OF DEFENDING OUR SIGNIFICANT FINANCIAL CONTRIBUTIONS TO THESE ORGANIZATIONS.

14. INTEREST 10 - MAINTENANCE OF ACCOMMODATING CLIMATE FOR US INVESTMENT. DUE TO CIRCUMSTANCES BEYOND OUR CONTROL THERE HAS BEEN SOME FURTHER EROSION IN INVESTMENT CLIMATE HERE, RELATED PRIMARILY TO RISING LABOR AND ENERGY COSTS, GRADUAL INTRODUCTION OF "INDUSTRIAL DEMOCRACY" LEGISLATION, AND GENERAL LACK OF ENTHUSIASM AT BOTH LOCAL AND CENTRAL GOVERNMENT LEVELS FOR NEW INVESTMENTS WITH POLLUTING POTENTIAL. THERE ARE ALSO SOME FAINT STIRRINGS OF CHAUVINISM IN GOVERNMENT PROCUREMENT WHICH WE ARE WATCHING WITH CLOSE ATTENTION. IN COMPARISON WITH MOST OTHER EC COUNTRIES, HOWEVER, NETHERLANDS INVESTMENT CLIMATE REMAINS RELATIVELY HOSPITABLE. LABOR STOPPAGES HERE, FOR EXAMPLE, HAVE BEEN LOWEST IN WESTERN EUROPE.

15. INTEREST 11 - NARCOTICS CONTROL. OUR TWO CONCERNS REMAIN THE SIGNIFICANT FLOW OF ILLICIT NARCOTICS FROM THE NETHERLANDS TO US FORCES IN GERMANY AND SOME INCREASE IN TRAFFICKING IN HEROIN DESTINED FOR THE US MARKET. THE DISINTEREST OF DUTCH AUTHORITIES, PARTICULARLY AT THE POLICY LEVEL, IN ADOPTING THOUGH NARCOTICS CONTROL MEASURES CONSTITUTES AN IMPORTANT BUT NOT INSUPERABLE HANDICAP. THE EMBASSY'S EFFORTS TO CONVINCE THE DUTCH OF THE POTENTIAL SERIOUSNESS OF THE NARCOTICS PROBLEM HAVE SO FAR YIELDED ONLY LIMITED SUCCESS AT THE POLICY FORMULATION (MINISTERIAL) LEVEL, ALTHOUGH WE HAVE ENGENDERED GREATER COOPERATION AND PARTICIPATION ON THE PART OF ENFORCEMENT AGENCIES. A MAJOR ACCOMPLISHMENT WAS THE GON'S APPROVAL OF THE EMBASSY'S REQUEST FOR AUTHORIZATION TO ESTABLISH A BRANCH OFFICE OF THE DRUG ENFORCEMENT ADMINISTRATION IN THE HAGUE, WHICH BECAME OPERATIONAL ON MAY 2 OF THIS YEAR.

16. INTEREST 12 - PROTECTION OF US CITIZENS AND US-OWNED PROPERTY. THE US MUST CONTINUE TO COPE WITH THE LARGE NUMBER OF
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AMERICAN VISITORS, PRIMARILY YOUNG PEOPLE, WHO FLOCK TO THE NETHERLANDS TO ENJOY THE "SWINGING LIFE" OF AMSTERDAM, AND THE CONSEQUENT LEGAL AND HUMANITARIAN PROBLEMS WHICH THEY ENCOUNTER. IN THE JUDGMENT OF THE EMBASSY AND THE TWO CONSULATES GENERAL, PERFORMANCE IN THIS IMPORTANT AREA HAS BEEN FULLY SATISFACTORY.
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